

Message Text

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PAGE 01 STATE 133699
ORIGIN SAB-02

INFO OCT-01 ARA-10 ISO-00 NSC-05 SSO-00 NSCE-00 L-03
CIAE-00 DODE-00 PM-04 H-01 INR-07 NSAE-00 PA-01
PRS-01 SP-02 SS-15 USIA-06 EB-07 ACDA-07 IO-13
TRSE-00 OMB-01 INRE-00 /086 R

DRAFTED BY S/AB:RCBARKLEY:JK

APPROVED BY S/AB:EBUNKER

S/AB - AMB. LINOWITZ

DESIRED DISTRIBUTION

NSC - MR. TREVERTON

-----092234Z 008017 /65

O 092102Z JUN 77

FM SECSTATE WASHDC

TO AMEMBASSY BOGOTA IMMEDIATE

S E C R E T STATE 133699

FROM BUNKER AND LINOWITZ

E.O. 11652: GDS

TAGS: PGOV

SUBJECT: PANAMA CANAL NEGOTIATIONS

REF: USDEL CARTER AIRCRAFT 091848Z

1. FOR MRS. CARTER'S BACKGROUND INFORMATION WE ARE FORWARDING THE FOLLOWING STATUS REPORT ON THE PANAMA CANAL TREATY NEGOTIATIONS WHICH WAS SENT TO THE PRESIDENT ON JUNE 6.

QUOTE: IN EARLY 1974 THE TWO COUNTRIES AGREED UPON A JOINT STATEMENT OF PRINCIPLES TO SERVE AS THE BASIS FOR THE NEGOTIATIONS. THIS ADMINISTRATION ACCEPTED THOSE
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PRINCIPLES IN JANUARY OF THIS YEAR.

LATER IN 1974/75 THE TWO NEGOTIATING TEAMS REACHED TENTATIVE AGREEMENT ON THREE KEY ISSUES:

--CANAL OPERATION. THE UNITED STATES SHALL HAVE RESPONSIBILITY FOR THE CANAL'S OPERATION DURING THE TERM OF THE TREATY, POSSESSING ALL RIGHTS NEEDED FOR TRANSIT OF SHIPS, INCLUDING SETTING OF TOLLS AND RELATIONS WITH CANAL EMPLOYEES. PANAMANIAN WILL PARTICIPATE INCREASINGLY IN THE CANAL'S OPERATION.

--CANAL DEFENSE. THE UNITED STATES SHALL HAVE PRIMARY RESPONSIBILITY WITH PANAMA'S PARTICIPATION FOR THE CANAL'S DEFENSE DURING THE TERM OF THE TREATY. THE UNITED STATES SHALL HAVE THE RIGHT OF UNILATERAL ACTION AND A STATUS-OF-FORCES AGREEMENT PROVIDING ALL NEEDED MILITARY OPERATING RIGHTS AND IMMUNITIES.

--JURISDICTION. PANAMA WILL ASSUME GENERAL TERRITORIAL JURISDICTION OVER THE PRESENT CANAL ZONE AT THE TREATY'S START. UNITED STATES CRIMINAL JURISDICTION OVER ITS NATIONALS WILL BE PHASED DOWN DURING THE FIRST THREE YEARS OF THE TREATY. THEREAFTER, IT WILL RETAIN CURRENT JURISDICTION IN SUCH CASES. FOR THE LIFE OF THE TREATY THE UNITED STATES SHALL RETAIN EXCLUSIVE AUTHORITY
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OVER CANAL OPERATIONS AND OUR AGENCIES IN PANAMA WILL BE IMMUNE FROM PANAMANIAN JURISDICTION.

SINCE FEBRUARY 1977 WE HAVE REACHED CONCEPTUAL AGREEMENT IN THE FOLLOWING AREAS:

--NEUTRALITY. PANAMA AND THE UNITED STATES AGREE TO MAINTAIN A REGIME PROVIDING FOR THE PERMANENT NEUTRALITY OF THE CANAL INCLUDING NON-DISCRIMINATORY ACCESS AND TOLLS TO MERCHANT AND WARSHIPS OF ALL NATIONS. THE AGREEMENT PLACES NO LIMITATIONS OR RESTRICTIONS ON THE CIRCUMSTANCES IN WHICH THE UNITED STATES MIGHT ACT TO MAINTAIN THE CANAL'S NEUTRALITY. THUS, OUR FREEDOM OF ACTION WOULD BE LIMITED ONLY BY OUR OWN ASSESSMENT OF UNITED STATES INTERESTS AND INTERNATIONAL LAW AT THE TIME ANY PROBLEM ARISES. SEVERAL DETAILS ARE STILL UNDER DISCUSSION INCLUDING PREFERENTIAL PASSAGE FOR UNITED STATES WARSHIPS.

--DURATION AND DEFENSE. IN VIEW OF THE NEUTRALITY PRO-

VISIONS, THE NEGOTIATORS HAVE AGREED TO A TERMINATION DATE FOR THE BASIC TREATY OF DECEMBER 31, 1999. IN ADDITION, WE WILL REMOVE OUR MILITARY PRESENCE AND VACATE OUR MILITARY BASES IN THE PRESENT CANAL ZONE BY THE TREATY'S END.

--CANAL OPERATING ENTITY. DURING THE TREATY PERIOD THE CANAL WILL CONTINUE TO BE OPERATED BY A UNITED STATES GOVERNMENT AGENCY. HOWEVER, WE HAVE AGREED TO REPLACE AT THE TREATY'S START THE EXISTING AGENCIES, THE PANAMA CANAL COMPANY AND THE CANAL ZONE GOVERNMENT. THE NEW AGENCY WILL BE DIRECTED BY A POLICY LEVEL BOARD OF FOUR AMERICANS AND THREE PANAMANIAN. ITS ADMINISTRATOR WILL BE AMERICAN AND ITS DEPUTY ADMINISTRATOR A PANAMANIAN UNTIL 1990. THEREAFTER, THE ADMINISTRATOR WILL BE PANAMANIAN AND THE DEPUTY WILL BE AMERICAN. ALL PERSONNEL

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APPOINTMENTS WILL BE MADE BY THE UNITED STATES. UNITED STATES CITIZEN EMPLOYEES WILL ENJOY VARIOUS RIGHTS AND PROTECTIONS SIMILAR TO THOSE OF UNITED STATES GOVERNMENT EMPLOYEES ELSEWHERE ABROAD.

--CANAL OPERATING AND DEFENSE AREAS. THE CANAL ZONE WILL CEASE TO EXIST AT THE TREATY'S START. THE UNITED STATES WILL CONTINUE TO HAVE THE RIGHTS TO USE AND ACCESS TO ALL LAND AND WATER AREAS AND INSTALLATIONS OF THE EXISTING CANAL ZONE NECESSARY FOR THE OPERATION AND DEFENSE OF THE CANAL DURING THE TREATY PERIOD. USE OF OVER HALF OF THE AREA OF THE PRESENT CANAL ZONE WILL PASS TO PANAMA WHEN THE TREATY ENTERS INTO FORCE. A JOINT AUTHORITY WILL COORDINATE PORT AND RAILROAD ACTIVITIES.

PANAMA'S NEGOTIATORS RETURNED TO PANAMA LAST WEEK TO DISCUSS THESE POINTS OF AGREEMENT. IT IS MUTUALLY UNDERSTOOD THAT UNTIL ALL ISSUES ARE SATISFACTORILY RESOLVED THERE IS NO FINAL AGREEMENT. STILL TO BE NEGOTIATED ARE THE FOLLOWING ISSUES:

--ECONOMIC BENEFITS. THE QUESTION OF THE SIZE AND NATURE OF THE FINANCIAL SHARE WHICH PANAMA WILL DERIVE FROM THE CANAL'S OPERATION IS THE MAJOR UNRESOLVED ISSUE. WE RECOGNIZE THE NEED TO INCREASE SUBSTANTIALLY THE \$2.3 MILLION WHICH WE NOW PAY PANAMA ANNUALLY. WE BELIEVE THAT THE CANAL'S OPERATING BUDGET COULD PROVIDE (WITH A MODEST TOLL INCREASE) THE BASIS FOR AN ANNUAL PAYMENT OF APPROXIMATELY \$35-50 MILLION. PANAMA WILL WANT CONSIDERABLY MORE. FIRST INDICATIONS ARE THAT PANAMA IS THINKING IN TERMS OF A LARGE LUMP SUM PAYMENT AND ANNUAL

PAYMENTS OF SEVERAL HUNDRED MILLION DOLLARS. WE CONTEM-
PLATE SOME DIFFICULT NEGOTIATIONS ON THIS ISSUE.

--CANAL EXPANSION. THIS ISSUE HAS NOT YET BEEN ADDRESSED
BUT WE DO NOT CONTEMPLATE DIFFICULTY IN SECURING PANAMA'S
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AGREEMENT THAT PROVISION SHOULD BE MADE IN THE TREATY
FOR THE ADDITION OF A THIRD LANE OF LOCKS OR THE CON-
STRUCTION OF A SEA-LEVEL CANAL SHOULD THAT BE CONSIDERED
DESIRABLE IN THE FUTURE.

NEGOTIATIONS RESUMED ON JUNE 8. WHEN BASIC AGREEMENT IS
REACHED ON ALL ISSUES, TREATY DRAFTING WILL FOLLOW. UN-
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2. WHILE THE AGREEMENTS REACHED SINCE FEBRUARY ARE
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PRESIDENTS LOPEZ MICHELSEN AND PEREZ THAT, WHILE SOME
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APPROVED BY: ARA/PAN:RRWYROUGH

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Z O 151450Z JUN 77 ZFF4

FM SECSTATE WASHDC

TO USDEL GRENADA FLASH

INFO AMEMBASSY PANAMA IMMEDIATE

S E C R E T STATE 133699

FOL TEL SENT ACTION BOGOTA FROM SECSTATE DTD 09 JUN 1977 QTE

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Message Attributes

Automatic Decaptioning: X
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Disposition Approved on Date:
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Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Enclosure: n/a
Executive Order: GS
Errors: N/A
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From: STATE
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Office: ORIGIN SAB
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Classification: SECRET
Previous Handling Restrictions: n/a
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Retention: 0
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2210357
Secure: OPEN
Status: NATIVE
Subject: PANAMA CANAL NEGOTIATIONS
TAGS: PGOV, PDIP, CO, PN, (CARTER, ROSALYNN)
To: BOGOTA
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/0118ee7f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
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22 May 2009
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